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NATIONAL INTELLIGENCE DAILY CABLE

Friday 15 September 1978 CG NIDC 78/216

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National Intelligence Daily Cable for Friday, 15 September 1978.

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PORTUGAL: Government Falls

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25X1 [] The Portuguese Government fell last night when Prime Minister Nobre da Costa's program was rejected by the parliament. / []

25X1 [] Voting together on the rejection motion, the Socialists and the conservative Center Democrats had nine votes more than the absolute majority needed to bring the government down. []

USSR - NORTH KOREA - SOUTH KOREA

25X1 [] Recent Soviet gestures toward South Korea have presumably been designed to show Moscow's displeasure with North Korea's tilt toward China.

25X1 [] North Korea has been leaning toward China since the early 1970s, but its preference for Peking became even more pronounced after Chairman Hua Kuo-feng's visit to Pyongyang last May. The most striking evidence of this trend appeared last month when North Korea replayed a virulently anti-Soviet policy statement by China's Defense Minister. In the past, the North Koreans have generally ignored Peking's polemical sallies against Moscow.

25X1 [] //Soviet - North Korean relations have been cool since the late 1960s, both because of Moscow's dismay over President Kim Il-sung's confrontational policies toward the South and because of Kim's objections to Soviet moves toward detente with the West. The Soviets regarded Kim's efforts to foster revolution in South Korea in the late 1960s and the North Korean attacks on the USS Pueblo and the EC-121 as liabilities in their efforts to reach a modus vivendi with the US.//

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[] //There have been no significant Soviet military deliveries to Pyongyang since 1973, and the North Koreans obviously resent Soviet willingness to supply non-Communist countries with advanced weapons systems that have been denied North Korea. The Soviets, moreover, have been unwilling to ease Pyongyang's recent financial plight by providing hard currency relief. The two sides have also had difficulties over trade matters, usually because of lags in North Korean deliveries and Soviet price increases.//

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[] //Soviet actions do not indicate much desire to compete with the Chinese for influence with Kim. Moscow, in fact, took calculated steps to slight the North Koreans on the occasion of two recent North Korean anniversaries.//

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[] //A greeting from President Brezhnev and Premier Kosygin in August on Korean liberation day, for example, did not mention the "Democratic People's Republic of Korea" by name, but only referred to friendship between the USSR and "Korea" and to the accomplishments of the "Korean" people. Also missing were Soviet wishes for future successes by the North Koreans, a sentiment that had appeared in messages marking the anniversary for at least the past 10 years. Low-level Soviet representation at ceremonies in Moscow and Pyongyang marking the 30th anniversary of the formation of the North Korean regime was another indication of coolness in relations and perhaps another sign of Soviet unhappiness over North Korea's position on the Sino-Soviet dispute.//

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[] //The Soviets have also tried to needle the North Koreans by making some friendly gestures toward South Korea. Moscow recently granted a visa to South Korea's Health Minister to attend the World Health Organization conference this week in the USSR. The Soviets have never before permitted such a high-level South Korean to enter the USSR in an official capacity.//

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[] //The North Koreans are very sensitive to any moves that suggest informal contacts or dialogue between the USSR and South Korea, and Moscow has usually been careful to avoid upsetting Pyongyang on this score. It is possible that the Soviet move regarding the South Korean official was approved by the top leadership as a calculated signal of displeasure over Sino - North Korean relations. []

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USSR: Aid to Free World LDCs

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//The USSR and Eastern Europe are headed toward record levels this year in extensions of economic aid to non-Communist less-developed countries. Communist military commitments, on the other hand, slumped in the first half of the year. Military equipment deliveries also fell below their 1977 record level but approximated 1976 deliveries. Abrupt changes in the governments of several key developing countries during the first half of 1978 provided additional opportunities for Moscow to increase its economic and military presence.//

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//Communist economic aid pledges in the first half of 1978 were highlighted by unprecedented East European activity. East European commitments of nearly \$1.1 billion at mid-year topped previous full-year offerings by more than \$100 million.//

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//East Germany dominated the East European donor list with long-term credits of \$350 million to Syria for development projects and equipment imports, \$200 million to Brazil for capital goods, and \$200 million to Ethiopia for port and railroad construction. Concerned over lagging sales to the Third World, East German officials have enhanced their recent efforts with attractive credit terms.//

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//The USSR also is headed toward a record year in economic aid extensions with more than \$700 million in first half commitments, all to old clients. China, still pleading economic stringencies, signed new agreements for less than \$50 million.//

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[redacted] //Despite several large deals, Communist military commitments to the developing countries slumped during the first half of the year to the lowest annual rate since 1972. Established clients used the respite to absorb the heavy deliveries of 1976 and 1977 into their inventories, and a number of Arab states bought more of their arms in the West.//

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[redacted] //Of the \$1.3 billion worth of military orders placed with Communist countries in the first half of 1978, more than \$1 billion worth were on the Soviet account. Major pacts with Ethiopia and Libya bolstered Moscow's already heavy investment in those countries. Of the USSR's \$1.2 billion of equipment deliveries, \$565 million went to Arab clients and nearly \$300 million to Ethiopia.//

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[redacted] //The USSR also found new opportunities to enhance its position in three countries that experienced political change in the first half of 1978. In Afghanistan, where a coup brought a Marxist government to power in April, the USSR rushed to conclude a series of long-pending economic agreements and has steadily increased its economic and military presence while assisting the inexperienced new regime.//

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[redacted] //On the Arabian peninsula, hard-line Marxists who gained control of South Yemen after the coup there in June may well open the door to increased Soviet support. Turkish Prime Minister Ecevit, in power since the beginning of the year, has accepted Soviet offers of additional economic aid, and Turkey is also expanding commercial ties with the USSR. [redacted]

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BRIEFS

Spain

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[] The Spanish draft constitution cleared one of its toughest hurdles last night when the Basque Nationalist Party announced its endorsement. The party was reportedly on the verge of rejecting the draft up to the final session yesterday of the Senate constitutional committee reviewing the document.

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[] According to press reports, the committee accepted a controversial amendment guaranteeing the historic governmental rights of the Basque provinces. Until yesterday hostility by the Spanish military toward Basque aspirations to autonomy had apparently stymied government attempts to make such a concession.

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[] The constitution must still be approved by the full Senate. It will then go to a joint Senate - House of Delegates

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[redacted]

committee and back to both houses for a final vote. The break-through last night seems to assure that the nationwide referendum will be held by mid-November. [redacted]

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Zaire

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[redacted]

[redacted] We do not know what the insurgents may be planning, but some rebels and sympathizers undoubtedly are among the refugees returning to Zaire as a result of President Mobutu's amnesty and his rapprochement with Angola.

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[redacted] The rebels probably have caches of arms in and around Lubumbashi and in villages in southern Shaba.

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[redacted] The Zairians report possible rebel attacks fairly frequently, but this time they are reacting with more concern than in the past and have intensified their patrols. Although the US Consulate in Lubumbashi reports that the situation is stable and quiet, the Zairian and expatriate civilian communities in Shaba remain somewhat jittery--largely because of continuing rumors of rebel activity. [redacted]

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Pakistan

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[REDACTED] General Zia-ul-Haq's decision to assume the presidency of Pakistan tomorrow will increase speculation that he intends to remain in power indefinitely.

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[REDACTED] The term of President Chaudhry expired last month, but because the parliament was dissolved more than a year ago there was no constitutional way to choose a successor. The president has almost no power under the Pakistani constitution. A year ago Zia began talking publicly about the need for a strong presidency, but the office apparently will remain ceremonial for the time being, with Zia continuing to rule as Chief Martial Law Administrator and Chief of Army Staff. [REDACTED]

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